



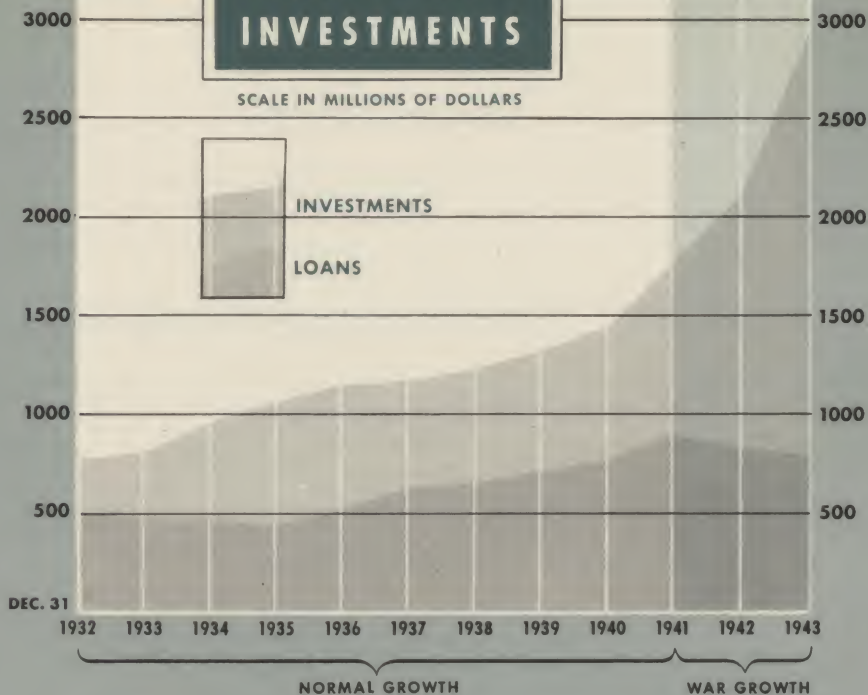
ANNUAL REPORT

Bank of America
NATIONAL ASSOCIATION
CALIFORNIA

1943

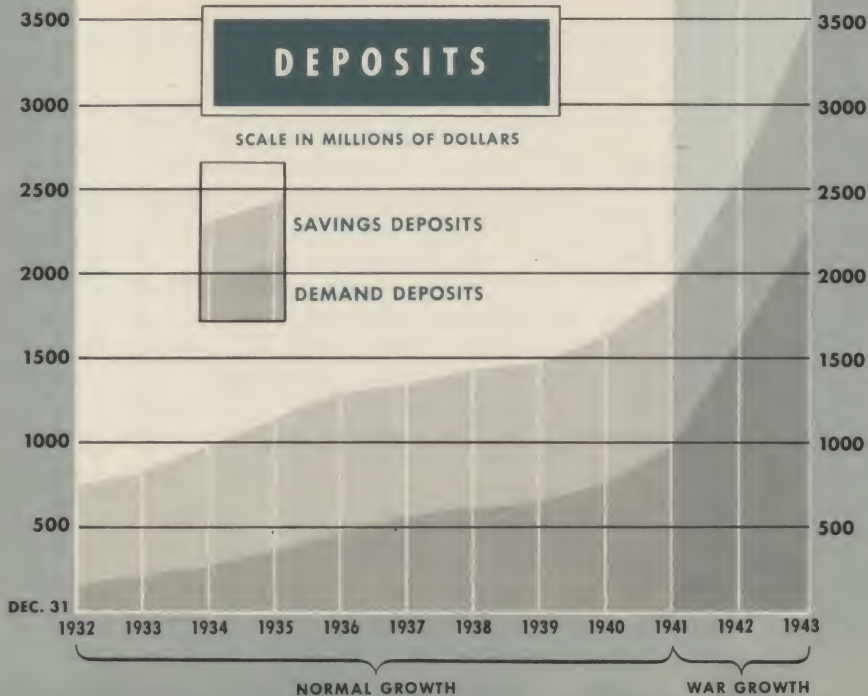
LOANS AND INVESTMENTS

SCALE IN MILLIONS OF DOLLARS



DEPOSITS

SCALE IN MILLIONS OF DOLLARS



Bank of America

NATIONAL TRUST AND SAVINGS ASSOCIATION

San Francisco, California

January 11, 1944

*Annual Report
of President L. M. Giannini
to the Stockholders*



UNPRECEDENTED growth in bank resources and deposits accompanied last year's sharp rise in our nation's war production. This trend was accentuated in principal production centers, such as California, as shown in the statement of condition of our bank at December 31, 1943, and in changes which occurred during the year.

- Total resources of \$3,697,912,675 were \$926,223,043 higher than a year before.
- Total deposits of \$3,498,153,210 represented an increase of \$912,012,511. This consisted of \$659,605,474 increase in demand deposits, which rose to \$2,261,274,251, and \$252,407,037 gain in savings and time deposits, which totaled \$1,236,878,959 at the year's close.
- Combined loans and investments of \$2,906,093,364 constituted an increase of \$799,873,960.
- Loans outstanding in the amount of \$810,660,642 were \$29,809,318 less than a year previous, but \$33,007,752 higher than at June 30th.
- Investments totaled \$2,095,432,722, an increase of \$829,683,278. Most of this increase represented additional investments in securities of the United States Government and Federal agencies, in which an increase of \$801,492,067 raised the total to \$1,844,553,586.
- Cash and investments in government and municipal obligations due or callable in less than one year totaled \$1,533,742,720.



- Capital Funds totaled \$166,384,995 at December 31, 1943, in comparison with \$160,402,363 a year earlier.
- Pursuant to a resolution passed by the Board of Directors at its December meeting, Surplus was increased from \$62,000,000 to \$75,000,000 by transfer of \$13,000,000 from Undivided Profits to the surplus account.
- Earnings were the highest in the history of the bank.



EARNINGS

GROSS income of \$82,845,936, and operating expenses of \$52,678,653, produced earnings of \$30,167,283 in 1943, in comparison with \$26,577,858 in 1942.

Charges against earnings for depreciation and amortization, reserves set up and applied to absorption of losses or revaluation of assets, and employees' profit-sharing bonus, totaled \$10,989,931. This left \$19,177,352 of earnings available for dividends, retirement of Preferred Stock, and addition to Capital Funds, in comparison with \$16,950,115 in 1942.

Dividends totaling \$10,412,220 were paid, \$812,220 on Preferred Stock at the rate of \$2 a share, and \$9,600,000 on Common Stock at the rate of \$2.40 a share.

Earnings remaining after dividend payments amounted to \$8,765,132. During the year \$2,782,500 of this amount was used to retire 55,650 shares of Preferred Stock, so that the net addition to Capital Funds amounted to \$5,982,632.

Preferred Stock Retirement

From the date of issue in June, 1940, to the close of 1943, 194,854 shares of Preferred Stock had been retired, representing over 32 per cent of the original issue. Undivided profits totaling \$9,742,700 were utilized in this retirement of Preferred Stock; the equity of the Common Stock was increased by a like sum, or \$2.43 a share.



DEPOSITS

GROWTH of \$659,605,474 in demand deposits continued the trend commenced in mid-1942, when a steep ascent succeeded a gradual climb.

SUMMARY OF OPERATIONS—1943

INCOME FROM:

Loans	\$37,679,540	
Security investments, including profits of \$1,006,973 from sales of securities . . .	30,509,909	
Miscellaneous sources, including trust fees, service charges, and recoveries of \$2,598,738	14,656,487	
	<hr/>	
GROSS INCOME		\$82,845,936

EXPENSES:

Salaries and payments for personal services .	\$22,415,328	
Interest on deposits	9,471,703	
Taxes: Local, State and Federal, including Social Security, and Federal Deposit In- surance assessments	12,233,483	
Other operating costs	8,558,139	
TOTAL OPERATING EXPENSES		52,678,653
		<hr/>
EARNINGS		\$30,167,283

CHARGES AGAINST EARNINGS:

Depreciation of banking premises, furniture, fixtures and equipment	\$ 1,353,754	
Amortization of bond premiums	4,446,763	
Reserves set up and applied to absorption of losses or revaluation of assets	3,861,130	
Employees' profit-sharing participation . . .	1,328,284	
	<hr/>	
		10,989,931
		<hr/>
		\$19,177,352
Dividends paid:		
Preferred Stock—rate \$2 a share	\$ 812,220	
Common Stock—rate \$2.40 a share	9,600,000	
Retirement of 55,650 shares of Preferred Stock	2,782,500	
Added to Capital Funds from earnings . . .	5,982,632	
	<hr/>	
		\$19,177,352

The year's increase of \$252,407,037 in savings deposits, far exceeding that of any previous year, was the combined result of more savers and larger savings. Toward year-end the bank was carrying 1,604,206 savings and time accounts, 172,669 more than a year previous. The average balance increased from \$688 to \$771.

Part of this increase was due to influx of war workers, higher incomes, and shortage of goods to consume purchasing power. The increase in savings deposits in our bank exceeded the average for both the state and the 12th Federal Reserve District. Figures of weekly reporting banks, covering the first ten months of the year, indicated 16.4 per cent increase in savings and time deposits for the District, in comparison with 26.7 per cent increase for our bank during the same period.

Total deposit accounts of all classes, 2,833,839, included 818,589 regular checking accounts.

Tenplan, a new service for small depositors introduced in 1943, was represented by approximately 70,000 accounts.

How extensively we serve the important small customer, as well as the large one, was shown in a study of ownership of demand deposits made last year. It indicated that about 82 per cent of all demand accounts had balances averaging \$375; about 16.4 per cent had \$2,597 average balance; the remaining 1.6 per cent had an average balance of \$45,166.

Most potent force in the year's gain in deposits was inflow of government funds to the 12th Federal Reserve District. In 1943 Treasury disbursements in the District exceeded receipts from sales of securities, taxes and other sources by \$4,400,000,000, compared with \$2,800,000,000 excess of disbursements over receipts in 1942, and with \$332,000,000 average for 1939-1940. The 1943 total was 57 per cent above 1942, and more than 13 times the 1939-1940 average.



INVESTMENTS

INVESTMENTS in securities of the United States Government and Federal agencies were increased \$801,492,067 during 1943; additions to holdings of state, county, municipal and other bonds and securities amounted to \$28,191,211.

Increase in government securities exceeded the net increase in deposits after deducting cash reserves required to be maintained with the Federal Reserve Bank.

Government issues due or callable in less than one year totaled \$783,650,075 par value and comprised 43.4 per cent of the government portfolio at December 31, 1943, in comparison with 35.6 per cent a year previous; government issues due or callable in less than five years were increased from 50.6 to 58.6 per cent.

Investment in fully tax exempt state, county and municipal bonds was increased \$14,995,368 during the year; investment in wholly or partially tax exempt securities of the United States Government and Federal Agencies rose \$135,445,949. Holdings of fully tax exempt state, county and municipal bonds amounted to \$187,977,384 at December 31, 1943; fully or partially tax exempt issues of the Government and Federal Agencies totaled \$595,098,654.

LOANS



DEMAND for bank credit strengthened in the last half of 1943. An increase of \$33,007,752 in loans outstanding occurred between June 30th and December 31, 1943, in contrast with a decrease of \$62,817,070 between December 31, 1942, and June 30, 1943.

"Regulation V" loans to finance war work increased. Outstandings at the year-end amounted to slightly over \$100,000,000, in comparison with about \$27,000,000 at the close of 1942. This increase only partially reflects the volume of credit made available for war work during the year; many loans were reduced or paid before the year-end. Loans made under Regulation V of the Federal Reserve Board are guaranteed as to principal and interest, in whole or in part as arranged, by the War Department, the Navy, or the Maritime Commission.



These government-guaranteed loans were made available to war contractors and subcontractors on a broader basis under a plan effective September 1, 1943, announced jointly by the War and Navy Departments, the Maritime Commission and the Federal Reserve Board. The broader plan provides for "VT" loans and commitments designed not only to finance war production, but also to facilitate reconversion to peacetime production by enabling contractors to free their working capital promptly upon termination of their war contracts.

Real estate loans outstanding exceeded \$415,000,000, including approximately \$300,000,000 of loans insured by the Federal Housing Adminis-

Bank of

NATIONAL TRUST SAVINGS

Statement of Condition

RESOURCES

Cash in our vaults and on deposit with Federal Reserve Bank \$ 466,559,087.88

Cash on deposit with banks in New York, Chicago and other cities and cash items in process of collection 265,533,557.09

TOTAL CASH \$ 732,092,644.97

Securities of the United States Government and Federal Agencies \$1,844,553,585.77

State, county and municipal bonds 187,977,384.12

Other bonds and securities 59,181,752.01

Stock in Federal Reserve Bank 3,720,000.00

TOTAL SECURITIES \$2,095,432,721.90

We have loaned to our customers for use in their businesses, for war production contracts, for the storing of commodities, for intermediate capital uses, for building, buying or modernizing their homes, financing automobile or household equipment purchases, and for other legitimate needs \$ 810,660,642.03

We have interest due us on bonds and loans (earned to the date of this statement), and accounts receivable 10,472,722.41

We hold guarantees and securities of customers and banks, for letters of credit, acceptances and endorsed bills 20,898,072.78

TOTAL DUE US FROM CUSTOMERS \$ 842,031,437.22

Bank buildings, furniture, fixtures and safe deposit vaults. This figure represents the cost less depreciation reserve of \$19,660,438.94 \$ 25,883,704.60

Other real estate owned. This is real estate acquired in the settlement of debt, carried at less than cost or appraised value \$ 1,363,620.75

Other resources, including supplies inventory, automotive equipment, deferred charges, etc. \$ 1,108,545.34

TOTAL RESOURCES \$3,697,912,674.78

This statement includes the figures of
Member Federal Reserve System . . . Member

America

ND
GS ASSOCIATION

on December 31, 1943

LIABILITIES

Demand deposits. Funds placed with the bank by individuals, corporations, firms, banks, public officials and the United States Government (payable on demand) **\$2,261,274,250.67**

Savings and time deposits. Funds placed with the bank in savings accounts or for extended periods of time by individuals, corporations, firms, United States Government, State of California and political subdivisions thereof **1,236,878,959.20**

TOTAL DEPOSITS **\$3,498,153,209.87**

We have endorsed Bankers' Acceptances and issued Letters of Credit on behalf of customers, and have agreed to honor Customers' Drafts (not yet due), all of which are secured by the guarantees and collateral of customers and banks included in resources **\$ 21,228,216.77**

We have set aside as a reserve for interest payable on time deposits and for taxes and other expenses **\$ 8,549,603.00**

We have reserved for interest received in advance on loans **\$ 3,596,650.63**

This amount will be taken into income as earned.

TOTAL LIABILITIES **\$3,531,527,680.27**

CAPITAL FUNDS

The difference between the total resources and the total liabilities represents the bank's working capital provided by the stockholders as a protection for depositors. It is carried on the books as follows:

Capital. Representing the investment of approximately 150,000 stockholders.

Common (4,000,000 Shares) **\$ 50,000,000.00**

Preferred (405,146 Shares.) Issued at \$50 (\$20 Capital—\$30 Surplus), Annual Dividend \$2. Preferred to extent of and retirable at issue price and accrued dividends **8,102,920.00**

Surplus. Paid in by stockholders or accumulated from earnings **75,000,000.00**

Undivided profits. Profits accumulated and not distributed **12,051,167.67**

Reserve for War Contingencies, etc. Additional profits accumulated and set apart by the Board of Directors for unforeseen contingencies which may result from the war or post-war readjustments and other contingencies **13,919,040.87**

Other Reserves. Set aside out of accumulated profits by the Board of Directors, available as a reserve, in addition to Surplus and Undivided Profits, against normal contingencies **3,209,332.32**

Reserve for Increase of Common Capital. Amount set aside for the increase of Common Capital as a result of the retirement of Preferred Stock **3,897,080.00**

Retirement Fund. Funds set aside from profits to retire Preferred Stock by purchase or by call in accordance with the Articles of Association of the Bank **205,453.65**

TOTAL CAPITAL FUNDS **\$ 166,384,994.51**

LIABILITIES AND CAPITAL FUNDS **\$3,697,912,674.78**

the London, England, banking office

er Federal Deposit Insurance Corporation

tration, the latter figure representing some 77,000 homes on which the average loan was about \$3,900.

Timeplan loans outstanding declined about \$43,000,000 between years, but the decline was arrested during the year.

Considerable expansion in Timeplan bank credit is expected after the war when the manufacture of consumer goods is resumed. A review of conditions existing two years ago justifies this expectation: In 1941, when 315,808 new cars and trucks were sold in California, our bank handled \$112,533,000 of automobile retail financing, in comparison with \$45,394,000 in 1943. An estimated 613,000 refrigerators, ranges, washing machines and ironers were sold in the state in 1941, and Timeplan household equipment financing totaled \$27,119,000, compared with \$3,656,000 in 1943.

Commodity loans increased about 15 per cent over the amount outstanding at the end of 1942.

Net advances against accounts receivable exceeded \$49,000,000, much of which represented financing war production of small concerns.

Livestock loans and commitments outstanding increased 25.4 per cent in the year.

Plans were completed in 1943 to increase the bank's activity in crop production loans. We provide financing plans to fit the needs of California farmers which are administered by a staff of experts in practical agriculture who work directly with branches and farmers striving to produce more food.



WAR BOND SALES



PURCHASES of war bonds by the public through our bank amounted to \$688,195,000 in 1943, nearly double the 1942 record.

This total included \$249,791,571 invested in war savings bonds by hosts of small investors. The year's gain in this classification was \$89,573,750.

Our own statewide war bond drive was started August 1st, to run six months, with \$300,000,000 as the goal. This figure was exceeded before the bank's 39th anniversary in October; total sales of all issues during the first five months of the drive were \$366,641,578.

All branches and all staff members enlisted in this bond selling campaign, with spirited competition between branches and individuals for the honor of achieving the best records. Their efforts were supported by newspaper, outdoor and other advertising, and by a weekly radio program, all having the single purpose of selling bonds.



OTHER ACTIVITIES

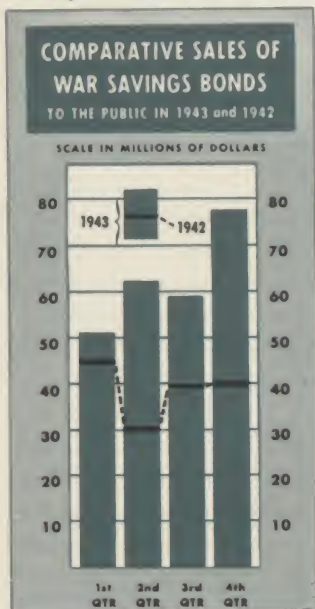
AMONG activities undertaken by our bank during 1943 was the establishment of special banking facilities in 31 military centers throughout the state. Handling deposits, payrolls, service men's allotment accounts, issuance of money orders and travelers cheques and sales of bonds are among the services of these banking facilities.

In order to make rationing function, the banks of the country have assumed the task of carrying ration bank accounts. Our bank is now handling many thousands of such accounts.

Since last July we have been serving the Bureau of Internal Revenue as a collection agency for the withholding tax.

Sales of travelers cheques increased substantially; there was an increase in banking transactions with Switzerland, Portugal, Spain, and some Latin American countries, but total business of the International Banking Department continued considerably below pre-war volume.

A satisfactory gain was made in number of trusts and estates administered by the Trust Department, and in future business indicated by number of wills in which the bank is named as executor or trustee. Earnings of the department increased materially.



THE STAFF

More than 3,200 Bankamericans are now in the armed forces. All through the year, and with a special remembrance at Christmas time, we have endeavored to keep in touch with these absent members of our business family. We look forward eagerly to their return to their positions.

To our inexpressible regret, twenty-one of the number will not return. They have made the supreme sacrifice in the service of their country. To these gold star Bankamericans, we pay our highest tribute.

Our staff handled a prodigious task during the year. For work well done credit is due both old timers and new

comers. We hope each one finds personal satisfaction in the memorable record which he helped to write.

Women, especially, rendered yeomanly service in carrying on the essential work of the bank.

Positions have been held open for staff members on military leave. Our future plans also provide for retention of all employes originally engaged on a duration basis who show an adaptability for banking and desire to remain with us.

Since inauguration of the present employes' profit-sharing plan in 1938, a total of 149,257 shares of Common Stock of the bank have been purchased with bonus funds voted by the Board of Directors. Shares so purchased, except under special circumstances, are held in trust for five years before distribution to individual participants. On December 1, 1943, the first annual distribution of stock, consisting of 12,999 shares, was made to employes.

ADVISORY BOARDS



It is my privilege and pleasure to thank members of our Advisory Boards for their services and sound counsel of the past year. These boards are an important part of our plan of resident management and assist in developing the community interest which their branches have in their home towns and neighborhoods.

OUR WAR JOB AT HOME



WHILE still on the threshold of a new year, let us appraise our war progress at its true value, so that we may see clearly and accept fully our responsibilities on the home front.

Our dauntless fighting forces have gained the offensive. Production goals have been achieved. We must, however, realize that the war is far from won. Progress in 1943 cannot be taken as meaning that the worst is over. It only means that we can eventually win victory—if we will.

Hard won advantage must not now be lost by mistaking progress toward victory for victory achieved. In matters of production and self-sacrifice, our first consideration must continue to be the needs of our fighting men, without any qualification whatsoever.

In this our responsibility is twofold: production for our fighters and preparation for their return. Our heroic boys and girls must not return to a home unprepared to give them all that they have fought for and won.

Clearly, this makes postwar planning our present responsibility, along with continued achievement of production goals. While producing for victory, we must make certain that the rewards of victory will not be sacrificed by bad planning or lack of planning.

We must plan now so that, whenever the time comes, return to peaceful pursuits will be completed with minimum delay, and full employment achieved quickly, with a national income at or close to the present level.

To this end, prevailing values of labor, commodities and merchandise must be maintained after the war. The alternative, reduced values for labor and goods, while increasing the purchasing power of the dollar, would, I apprehend, precipitate depression and endanger our nation's financial integrity.



Release of men from the armed services should be carefully planned so that when the time comes for demobilization those who have jobs awaiting them may return to work without unnecessary delay. Employment opportunity should be spread during the transition period, if necessary, by reductions in working hours and elimination of multiple shifts wherever practicable.

Permanent postwar employment opportunity will be further enhanced by speedy re-establishment of small business enterprises. Resumption of their activity is essential to our national prosperity. The future of the small business man figures prominently in our present planning; his patronage has always comprised a predominant part of our total banking business.

Sound plans should be made now, and any necessary laws enacted, for prompt and final settlement of war contracts upon cancellation or other abnormal termination. Otherwise working capital and credit of war contractors will be needlessly impaired, peacetime production and employment adjustment perilously delayed.

Eventual change-over in production from war to civilian goods should be effected as uniformly as possible, both geographically and as to industries.

Irreparable damage would be caused, for example, by keeping Pacific Coast industries on full war production in the war's latter stages while the rest of the nation resumes civilian production. Such procedure would aggravate this area's manpower problem while the war continues by attracting skilled workers to permanent jobs elsewhere; it might deprive

Pacific Coast companies of their established prewar markets, which in turn would hamper employment conversion.

Banks must be ready to resume all their normal functions of financing free enterprise. They must be permitted to do this without governmental competition or subsidies. This means commercial credit standing on its own feet, at interest rates commensurate with risks involved and not supported by guarantees of Federal Agencies.

Willingly many of our prerogatives as a free people have been relinquished temporarily in the interests of building our armed force and war plant in record time and to record proportions. One right which we must not relinquish, even temporarily, is the right to remain free from regimentation in the form of conscription of civilian workers.

We must have faith in the patriotism, and in the ultimate soundness of the composite judgment of those of us who remain to work on the home front. We must have confidence in our ability to master present difficulties and solve current problems without resort to those rash expedients which inevitably lead to conditions of enslavement against which we are now fighting all over the world.

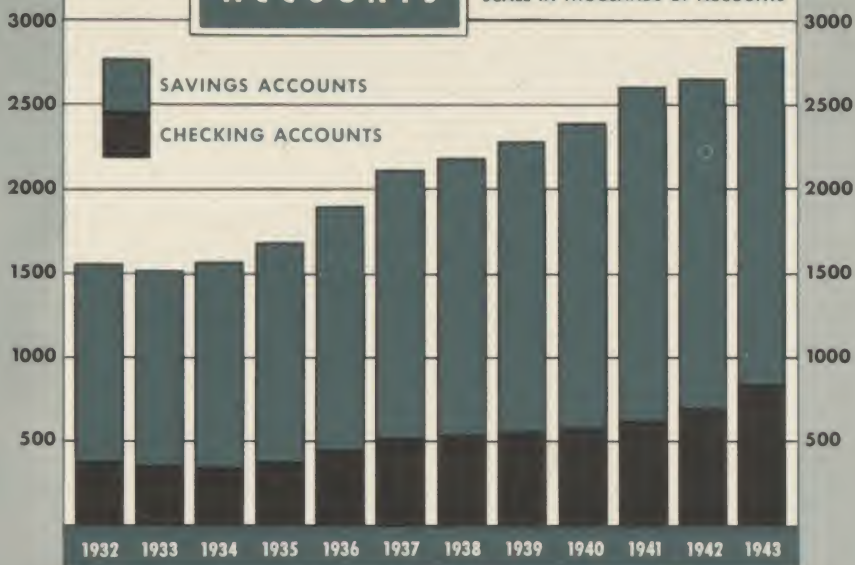
When the fight has been won we will face new conditions and new standards, but certain conditions of a former day must then be reinstated. They include freedom of enterprise, and government by the people free from domination of self-adjudging bureaucracies. For these fundamental prerequisites of freedom we must unremittingly contend.

Throughout 1943 the American people made an important contribution to postwar planning by building up their backlog of savings. Depositors in this bank alone added over half a billion dollars to their cash resources by additions to their savings accounts and purchases of war savings bonds. And this is but a fraction of the year's total increase in savings of the people through all banks, savings institutions and life insurance companies. Such substantial savings will create business and jobs by providing purchasing power when consumer goods can again flow freely.

This bank will continue to serve in the present emergency with every available resource. Achievement of victory continues to be our first consideration. In keeping with what we regard as total victory, we recommit ourselves to plan for and aid in postwar stabilization with every facility at our command.

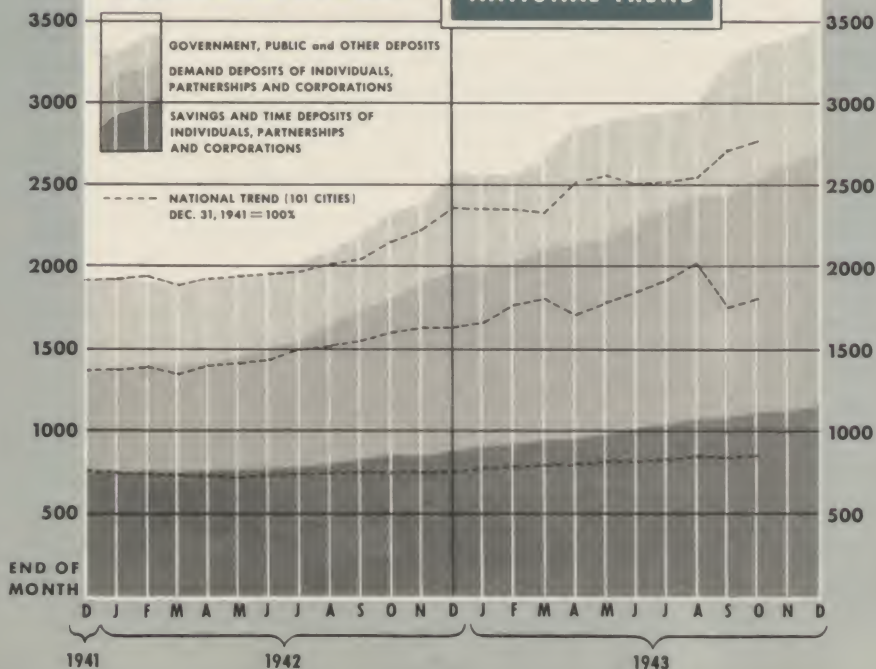
DEPOSIT ACCOUNTS

SCALE IN THOUSANDS OF ACCOUNTS



DEPOSIT GROWTH COMPARED WITH NATIONAL TREND

SCALE IN MILLIONS OF DOLLARS



SEC. 562 P. L. & R.

